A Work Project presented as part of the requirements for the award of a Master Degree in Management from the NOVA – School of Business and Economics.

FROM VIOLAS TO VIOLAS FERREIRA

GABRIEL FILIPE DE CASTRO AMARANTE

40681

Work Project carried out under the supervision of:

Alexandre Dias da Cunha

01 - January - 2021

Abstract

This case is based on a real family business, Grupo Violas, and the path of Violas Ferreira branch. Consisting of two main chapters, the first is the group's foundation by its Patriarch and the process incurred till a peaceful asset division in the second generation. The second showcases the evolution of one of the branches, Violas Ferreira, and their Family Office HVF – SGPS. Across the case, several family business concepts are covered more precisely systems theory, the impact of fair process and socioemotional wealth, and Violas Ferreira diversification investments strategies. *

Keywords: Family Business, Systems Theory, Fair process, socioemotional wealth.

Acknowledgments

Mónica Amarante and José Amarante who every day give their heart and soul for the family;

Alexandre Dias da Cunha, who was always supportive and an outstanding professional along my NOVA SBE path;

Dr. Tiago Violas Ferreira who openly shared the story of his Family with me and future readers;

Dr. Arlindo da Costa Leite for the mentorship - "¿Qué estas diciendo? porque solo quieres ser el mejor en tu ciudad si puedes ser el mejor del mundo?"

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

---

* Some dates, locations, and exact values have been disguised, nevertheless, when relevant for analysis their relative relations were preserved.

Part A – Founding Violas Family

Espinho[1], Portugal, August 14, 1943. Ana Gomes was waiting in the church for Manuel Oliveira Violas, the man who soon would become her husband, condition she accepted only after we had saved enough money to launch is company. That was how Manuel de Oliveira Violas – Cordoaria e Fios (CORFI) was founded, with "35 contos" what would have been today 22,000 euros, just alongside the national road in Espinho. The business started with thirty operational employees and one office assistant. The rules were rigid and straightforward but paying upfront to suppliers was the most crucial aspect of Manuel's business relations.

Manuel had left school in the 4th grade to build ropes in his uncle's garage and spent his entire life building what would be one of the country's biggest empires and the number one manufacturer of baller twine in the world. The process of developing CORFI was not easy we were not living in a democracy and only a selected few had access to information or big business opportunities

Manuel and Ana had three children, Celeste, Manuel, and Otilia, and none of them had a facilitated life. With a rigorous education, the summer breaks were passed working in the Family's factories. Their father used to say, "working expulses the addictions from the body," and the couple was focused on passing along fundamental values and principles above any other pleasure they could provide them.

Across several years Manuel built an empire. What started as a textile business developed into an economic group operating across several industries like Banking, Food and Beverage, Real Estate, and other areas. Companies as Banco Português de Investimento (BPI), Casinos Sol-Verde, i.i.i – Investimentos Imobiliários, or Super Bock Group were just some organizations Manuel was either a founding member or substantial shareholder.

A loss for the Family

In 1991 Manuel de Oliveira Violas died leaving an outstanding legacy behind. The companies and assets created were just a consequence of Manuel's path, known for helping everyone around him and by calling almost every single of its thousand employees by their first name. His ethical standards and consistent values were its most prominent heritage. In 1989, as Manuel got older, the health issues were getting bigger and bigger but that did not stop him to undergo what would have been later one of the group's most significant successful acquisitions, at the time Unicer what ended up being today Super Bock Group.

It was a devastating loss for the Family as their Patriarch played a substantial role in keeping the Family united under any adversities and challenges presented. At the time, Otilias's husband, Edgar Ferreira, was already deeply involved in the companies' leadership playing the role of interim director of COTESI while Manuel Jr. was studying in Switzerland. Otilia worked as chief operating officer coordinating the day-to-day operations of COTESI – Companhia de Texteis Sintéticos S.A. Celeste had a similar role in Solverde – Investimentos Turisticos e Imobiliários da Costa Verde S.A. Both Manuel and Ana Gomes's daughters had a deep relationship with the Family companies, from an early age, spent their holidays working and only studied till the end of high school.

A Fortune from ropes twines, banks and casinos!

With the death of the Patriarch, Manuel Jr. join the lead of the businesses assuming the leadership of Solverde and playing the role of Family representative in BPI. Edgar Ferreira stayed coordinating COTESI and was the Family representative in Unicer. Upon every decision, Manuel and Edgar would share and, step by step, build a proper vision for the family empire. The goal was to keep diversifying the family investments and grow their companies in order to generate more and more profit to the Family. Their management styles were different the Violas Ferreira branch prioritized the deep dive into the business models, looking to every detail no matter how insignificant it might look and at the same time distance themselves from the day to day management and understand the long-term strategy of the companies. Manuel Violas Jr. would rather adopt a more corporate management style having contact with “C” levels and not necessarily deep dive into the businesses. None of them would be right or wrong but rather a complementary vision and the correct way to work.

The balanced that existed inside the Family resulted in a golden era between 1991 and 2003 with an outstanding sales and profit growth period, mostly driven by Solverde and Unicer. The textile area was passing throw profound challenges as COTESI margins were getting smaller and smaller as they were facing more and more competition. Some Real Estate projects were promoted during that period but never in a professionalized way and i.i.i – Investimentos Imobiliários played a role mostly as an asset holder.

Two “G's and a "B" – Galp, Government and BPI

Familia Violas was indeed one of the most predominant and powerful families in the country that would inevitably place them as a potential partner, buyer, or influencer in any significant acquisitions or transactions in the country, which was the case of GALP Business. In 2004 the Portuguese Government, as part of a restructuring process of the country's energy portfolio, decided to invite three, then four, companies to integrate the capital of GALP. The goal was to sell at least 33,34% of the oil giant.

Family Violas, together with BPI and ARSOPI created a consortium, Petrocer, to bid for the privatization of Galp. With the development of negotiations, Petrocer won the run to be a shareholder and was set and approved to acquire 40,79% of Galp's share capital. Being a shareholder in Petrocer (68% of Viacer, 13,5% of BPI, 13,5% of Familia Violas, 5% of Arsopi), and in Viacer (46% of Violas Family, 28% of Arsopi, 26% of BPI), the Family had a substantial indirect position in GALP.

Carlyle, Goldman-Sachs, CVC Capital Partners, Sonangol, Melo Group, Viacer, and Banco Espirito Santo were just a few of the institutions and names involved in the negotiations of this deal. Back and forth with proposals, accusations, and a lot of politics in the way, Parpública, the government energy holding, with the competition authority's approval, selected the company that would buy a substantial Galp position, Petrocer.

The fact was that the negotiations and discussions enhanced by this deal were not the best for the family interactions bringing to light some disagreements in management practices and future vision for the family assets. Undertaking the Galp business would expose the Family to a substantial amount of debt, and there was not an agreement on if that would be acceptable or not, and if so, in which terms. A par from the Galp deal itself there were other challenges in place, which was the case of BPI, at the time lead by Artur Santos Silva, where the Family would have different visions related to operational practices and the future of their participation, adding to this BPI also would finance the deal and was a shareholder in Petrocer, raising by nature the possibility of emerging biased situations in financing terms or other operational details.

Being such a strategic asset for the country, the European Commission eventually did not approve the Portuguese Energy sector's reorganization and the deal froze. In 2005, a new Prime Minister took the lead of the Portuguese Government and, with the Economy Minister, changed the cards. Eventually, Galp fell into the hands of a competing group of investors.

Tension and Division

As time flowed, different visions and management ways were arising between the three branches. What would have started as small things had year by year accumulated to a tipping point. Around 2004 the family branches were facing several disagreements as stated before. However, respect, good sense, and family moments were always present, but the Family's different business perspectives had come to a place of disruption. Working from this place, Otilia and Edgar and their son Tiago proposed a division and the pursuit of a separate path.

The process incurred was simple and effective tree branches, tree parts. Tiago Violas Ferreira leads the valuation of the assets for his mother, Otilia, using several methods derived from discounted cash flow to multiples evaluation. Manuel and Celest both hired an outside valuation from a consulting company. The figures were on the table to raise a number to the family assets. The valuations were focused on the main firms, namely, Sol-Verde, i.i.i – Investimentos Industriais e Imobiliários, CLIP, Unicer, COTESI and BPI. With the development of the negotiations, Manuel Jr. and Celeste decided they would stay together.

In just a few days Otilia branched proposed to Celest and Manuel Jr. to choose the cut they wanted the less to show they believed the valuations presented and the process that was being undertaken was fair. Soft, simple, and decisive, the division of one of the biggest Portuguese empires was done. If any party would be at disadvantage would be Violas Ferreira as they let to Celeste and Manuel Jr choose what assets they would want to keep.

Celest and Manuel Jr. kept CLIP, COTESI, and Unicer. Otilia kept the real estate assets and the BPI participation. Business-wise the branches followed a separate path but did not keep them to stay together as a family and share festive activities and the most important dates of the year.

Part B - Violas Ferreira - HVF – SGPS S.A

It was the beginning of 2005, with no regrets and a peaceful relation established between the family branches, the division was done. Otilia, Edgar, and their son Tiago constituted an hybrid between a Family Office and an Holding, HVF – SGPS S.A., where they grouped their part of the division, more precisely i.i.i Investimentos Industriais e Imobiliários S.A, the real estate holding of the Family, and their fair cut, 2,9%, of Banco Privado de Investimento (BPI) at the time valued at around 200 million euros.

Otilia, Edgar, and Tiago were confident this was the best decision, after all, there was nothing personal they just believe "different business perspectives arise across time" and the focus now was how to properly set their Family Office and manage their fair cut of the assets. After all, even considering a tree parts split, they were one of the richest and influential families in the country and had an important position in a predominant Bank at the time.

It was time to put a new corporate structure in place and all the assets under the family company, HFV – SGPS SA. i.i.i Investimentos Industriais e Imobiliários S.A. was renamed Violas Ferreira SICAFI, ESPECIAL, S.A., and a financial core was set up in Luxemburg, Violas Ferreira Financial S.A., as the center for financial decisions of the Family as stated in Exhibit 6.

In Violas Ferreira Financial, the Family manages their financial assets and assesses the best way to fund their projects that, in most scenarios, are self-financed with almost no debt exposure. Every financial decision is made with two family members and an executive board member based in Luxembourg. The Family office tends to keep their structure this way but in some cases as Join-Ventures or Join-Projects new companies can be created.

Having a new path ahead, Violas Ferreira had two primary businesses, the real estate portfolio and the financial services part. Working from a place of union, Tiago, at the age of 35 years, was set as the General Manager of HVF – SGPS S.A passionately leading the family business with his father, Edgar Ferreira, shadowing him in the first years of leadership.

The corporate governance structure is clear as water. HVF – SGPS presents three shareholders, Tiago, Edgar and Otilia, and the three compose the company's Board of Directors, being Otilia the Chairman. Tiago is assigned as Chief Executive officer of HVF – SPSG, and his wife Andrea is Chief Operations Officer. While doing so, both share a lot with Tiago's parents, Edgar and Otilia, position in HVF as Board members with a consultative role inside the organization.

Principles

Violas Ferreira Family Office follows a very simple management style working from a place of proximity to every business relationship they have. What distinguishes them is the capability to deep dive into a business and having the bandwidth to understand firsthand information while at the same time having the capability to implement a helicopter view and draw a long-term vision for the companies. This capability is mainly driven by the long-term experiences the Family has across several industries such as real estate, food and beverage, textile and financial services. In the eyes of Tiago Violas Ferreira, things are simple and should stay that way. Every day his work is to listen to people and make their problems simpler. Although being a fresh formed Family Office, the past experiences lead them to implement some core practices upfront.

HVF – SGPS, plays the role of asset holder and family office but does not present any specific rules regarding the Family or any succession planning principles, it is in Violas Ferreira SICAFI the operational decision-making process is made. Every month the Family meets at Violas Ferreira SICAFI where the Board is composed of Edgar Ferreira, Otilia Violas Ferreira, Andrea Violas Ferreia, Tiago Violas Ferreira and Filipe Avillez, a nonfamily member. The outsider is always the same person and described as a trustworthy professional manager, although not having an executive role in any of the firms.

In these meetings, the Family defends that every time a consensus is mandatory to undergo any project, investment, or decision, from this perspective any family member can question the viability of any decision. The nonfamily member's role is to listen and analyze every decision or situation Violas Ferreira family is sharing or discussing, and, from a practical and rational point of view, express his opinion. The nonfamily member aims to professionalize the meetings and make sure that family topics are controlled to the extent that being a family firm does not damage or negatively influence firm performance and decision-making.

2007 - Banks and a Family Vision

In the year 2007, Banco Central Português, BCP, had launched a Public Acquisition Offer, takeover bid, to BPI, Banco Privado de Investimento, and HVF SGPS had a 2.9% participation in it. This was a time of uncertainty for the Violas Ferreira Family as they faced an opportunity to cash in a substantial amount of money with an offer of seven euros per share, placing their cut at around 200 million euros. But for Violas Ferreira their stake was about much more than money.

Manuel de Oliveira Violas, their Patriarch, Otilia's father, had been one of BPI's founders. Back in 1978, Artur Santos Silva, at the time former Portuguese Treasury Secretary of State and former vice-governor of Banco de Portugal, invited Manuel to come along and be one of the 17 representatives from large Portuguese corporations to found Sociedade Portuguesa de Investimentos (SPI) which later would become BPI. Being a founding shareholder of a top institution of the country meant a lot for the Family in terms of history and their vision for the Portuguese banking system. The fact was Violas Ferreira had just passed through an asset division inside Violas family in which they brought the BPI participation. After carefully evaluating the offer and financial terms appearing to be good, it did not seem reasonable to the Family to sell such asset under any other lights.

With the consolidation of the banking system, BCP was doing its work by trying to takeover BPI. However, BPI management board position themselves to the shareholders defending the offer should not be accepted as the valuation presented was below what they believed to be fair. Discussions back and forth shareholders refuted the bid. Some shareholders could have sold their stake before the bid result, and even with an upgraded candy proposal on the table Violas Ferreira Family did not take it.

CaixaBank, S.A, and a loss for Portugal.

April, 2016, CaixaBanK S.A, holding a 44,1% stake in BPI, releases a public announcement to voluntarily acquire total ownership of BPI at a price of 1,113€ per share. The fact is that worldwide banking system had, in 2008, passed through a severe financial crisis, negatively leveraging banks valuations, which reflected in some value depreciation for Violas Ferreira stake, value that was not recovered since that time.

From the perspective of Violas Ferreira Family this did not seemed to be a good thing. More than losing their stake in BPI, it meant Portugal would lose an essential strategic asset in its Banking system. With BPI being a shareholder in BFA - Banco de Fomento de Angola and CaixaBank S.A planning to expand to the United States, it seemed there were blurred reasons for the takeover bid to BPI.

Violas Ferreira Family position themselves against this offer based on their vision of a healthy Portuguese Banking system and a reasonable offer. However, in September of 2016, with some statutory adjustment across BPI general assembly's, CaixaBank turns the voluntary bid into mandatory, offering 1,134€ per share. The Spanish Bank grows its stake from 44,1% to 84,5% and takes BPI out of the stock exchange. December 27, 2018, CaixaBank gets full ownership of BPI.

When scrutinizing the process, some happenings are somewhat interesting and challenging to understand. For example, the fact that BPI under the control of CaixaBank gives a 2% stake of BFA to Unitel, passing the Angolan Bank's control to Sonangol Group. The reality was minority shareholders were not satisfied. With everything in this process, Portugal lost voice and share capital in one of its significant Banks, and Angola lost Portuguese presence in BFA share capital. Violas Ferreira Family was forced to sell their stake for around 49 million euros.

The fact was, even considering the loss of the BPI stake, the Family lives well with their decision and overall behavior across the entire process regarding their participation. It comes when value is no longer measured in financial terms but a somewhat more complex combination of feelings, emotions, and beliefs.

Real Estate - Holder & Developer

The fact is that Otilia's branch, mainly after recognizing the instability and possibility of selling their BPI stake and under the lead of Tiago Violas Ferreira, turned their operational activities to the real estate market.

I.I.I. – Investimentos Industriais e Imobiliários, S.A was the real estate holding of Violas family that was renamed Violas Ferreira SICAFI, Especial, S.A. when the asset division occurred in 2005. This company has a substantial portfolio of units across Portugal. Boavista 3433 – a premium office building in Avenida da Boavista, Porto, boasting prestigious tenants as the pan-European exchange Euronext, Portuguese leading law firm Vieira de Almeida, and key financial institution ABANCA. SICAFI also holds residential assets such as Liberdade 105, an exclusive residential and retail building in Lisbon's heart right in Praça dos Restauradores, an outstanding architectural art piece composed of seven floors and with 2410 square meters of residential area.

They were not for small projects. In 2017, they acquired the old Pharmacy Faculty Building in an upfront investment of several million euros, a building previously owned by Universidade do Porto. In the words of Tiago Violas Ferreira "after getting to know the project we were in loved and had to make an offer to acquire it", and they did. Pharmacy is based in Cedofeita, Porto district, and the goal is to turn it into a high-end residential facility composed of 44 units of around 14sqm each. But Violas Ferreira did not stop there. In a short time frame, it also acquired a piece of land worth of 11,000 constructible square meters destined to build a multifamily high-end residential project in Foz do Porto.

It was the year of 2016 and an opportunity arises. The old bus stop of STCP* is displayed in a beautiful location with good access to every part of Porto city and essential highways. Office space is running low and HVF is eager to invest in big projects and position themselves as top-tier developers in the country. Porto Office Park was one of the first big projects developed by Violas Ferreira Family, in a 100 million euros investment, a super office park was built compiling over 27000 square meters to be rented. In Tiago Violas Ferreira's words, they believe the project to be a game-changer for Porto city as office space in Porto city is scare, and there are not many substantial options for companies.

2020, today and the future

What started 77 years ago as a baller business gave birth to one of the biggest real estate holders, promoters, and developers in the country, with several millions under management and an equivalent amount dedicated to promoting residential and office projects.

Across this short period, the Family was exposed to several challenging situations that came to test their ability to adapt and overcome challenges. The result was good they were able to adapt and evolve. Every day HVF aims to preserve their family history while maintaining a deep sense of ethics. They want to preserve the beauty of the past while creating beauty for the future.

November of 2020, Boavista 3433, the home of Euronext Tech Center Porto and one of the Family's oldest assets, what "Just a few months ago (…) was nothing more than an ugly car park for public buses" O Porto Office Park, as just received the SIC/Expresso Award as the Best Office Development of 2020. Tiago Ferreira has recently stopped showjumping and is standing in his office with an outstanding view across Porto city. He reflects on his grandfather's values while combining tradition with the future to make Porto and Portugal attractive for international companies. While doing so, the goal is to develop based on our ancestor's architecture, not tearing down everything, but rather build the present on top of the past in the hope of a brighter future.

Exhibit 1 – CORFI facilities in 1943

Exhibit 2 – COTESI facilities in 1967

Exhibit 2 – List of Major Companies Owned/Participated by Violas Family in 1991

a) **COTESI – Companhia de Têxteis Sintéticos S.A.**
b) **i.i.i – Investimentos Industriais e Imobiliários S.A.**
c) **Solverde – Sociedade de Investimentos Turísticos da Costa Verde S.A.**
d) **Banco BPI SA**
e) **Unicer – Bebidas de Portugal, S.A**

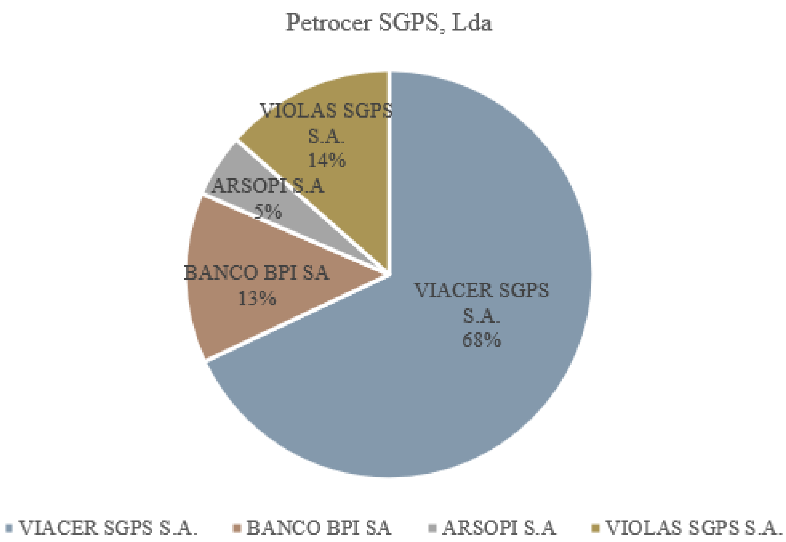

Exhibit 3 – Petrocer SGPS, Lda shareholder structure

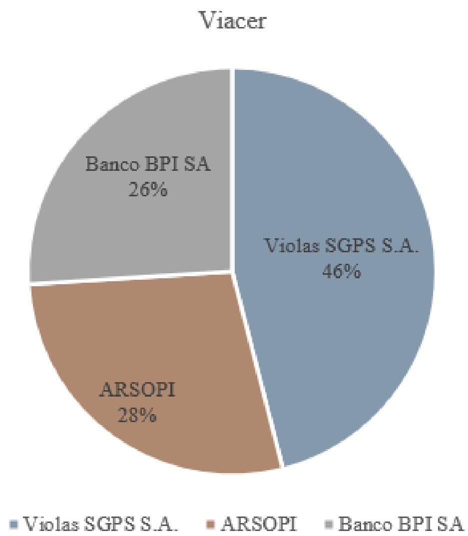

Exhibit 4 – Viacer shareholder structure

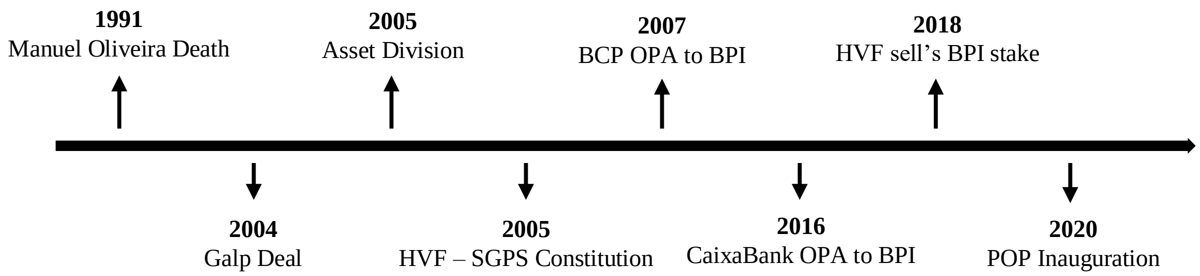

Exhibit 5 – Events Timeline

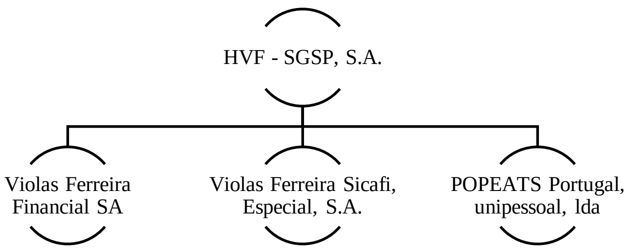

Exhibit 6 - HVF – SGPS S.A. Corporate Structure

Date	Event	Stake Value	Decision
2007	BCP OPA	220 milions	Did not sell
2018	CaixaBank OPA	49 milions	Forced to sell
Result		-171 milions	

Exhibit 7 – Estimated net loss with BPI Business

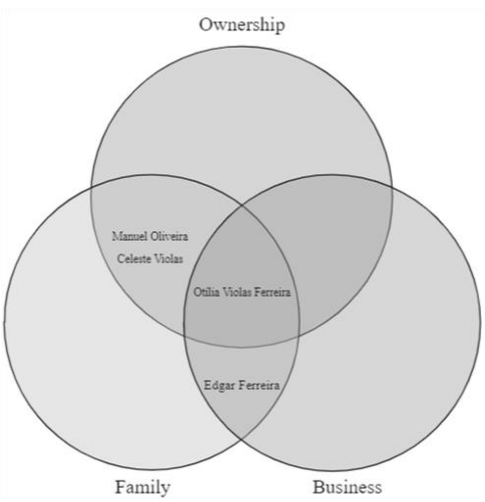

Exhibit 8 – COTESI and family relative positions inside three circles model

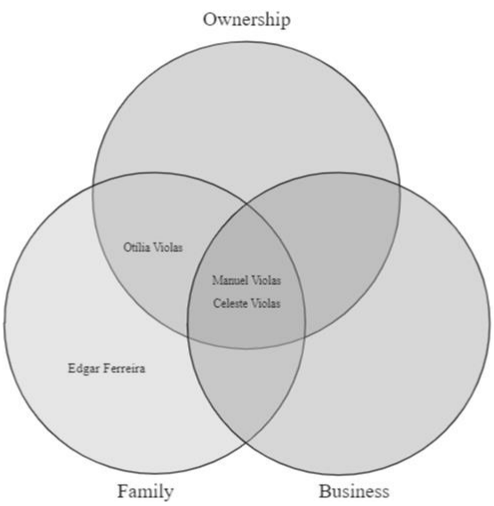

Exhibit 9 – Solverde and family relative positions inside three circles model

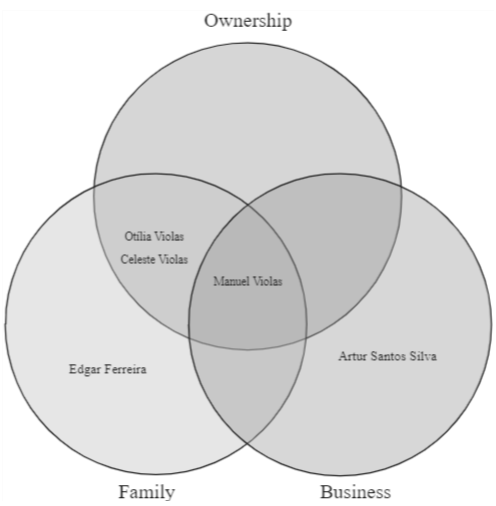

Exhibit 10 – BPI, Artur Santos Silva and family relative positions inside three circles model

Exhibit 11 – Porto Office Park

Exhibit 12 – Liberdade 105

Exhibit 13 – Pharmacy

Teaching Note

Overview

The present case is based on the history of one of the most prominent Portuguese economic groups founded by Manuel de Oliveira Violas and the path to which the descendants reached a tipping point and had to undertake a peaceful asset division. The case also covers the course of Violas Ferreira branch. Students are requested to critically analyze the factors creating tension inside the Family and the process undertaken in asset division, the impact of socioemotional wealth, and outsiders' role in Violas Ferreira branch.

Target Audience

The present case was designed for students at the undergraduate and graduate level within the Family Business Scope. For a complete analysis, student should be aligned with the concepts/definitions of family business, perceived fairness, socioemotional-wealth, and systems theory.

Learning Objectives

- Discern the particularities and complexity of Family Businesses under the light of the systems theory.
- Understand the impact of perceived fairness in asset division and the outcome in posterior family relations
- Beware the impact of socioemotional wealth in family firms
- Understand the importance of nonfamily executives in family firms

Theoretical Background

Organizations, Businesses and Families are concepts that have been together for a while from an historical point of view. Working from almost every perspective, country, or economic period, informally or formally speaking Family Firms are one of the oldest forms of doing business.

What would have been a solitary topic across singular researchers as in more recent year turn to be a spotlight across the scientific community with a combining effort form family business practitioners and academics. The numbers rule which is the case with the amount of influence family firms have as there are expected to represent 40% of the world's large enterprises by 2025 (Mckinsey, 2016).

A par from the large representativity of family firms in the universe of businesses, the fact is what we know or believe to know about them holds in such a wide variety of perspectives emanating from several fields and backgrounds that is often difficult for people to identify and distinguish the nature of the field at matter. (Tyge Payne, 2018)

Navigating the theme of Family firms the stepping stone should be the concept itself. Conceptually speaking a firm is considered as a Family Business if the majority of decision-making rights are in the possession of the natural person(s) who established the firm, acquired the share capital of the firm, are family members and at least one representative of the Family or kin is formally involved in the governance of the firm. From an operational perspective, a family business is a synthesis of ownership control by two or more members of a family or a partnership of families, corporate influence by family members on the firm's management and the ambition of continuity across generations. (European Commission, 2009).

Family firms are a somewhat complicated theme by itself. What distinguishes them from traditional organizations is the influence families have on the firm's weather by the amount and complexity of control, the business setup, management philosophy or stage of control. Standing from a rational of practicality understanding family dynamics is keen to be fully immersed on family businesses' topic. Families differ from other social systems as membership is biologically determined and permanent, at least concerning blood relationships (Uhlaner, 2006). It is a relatively recent academic and scientific domain where plenty of fields are yet to be explored. Various areas of knowledge emerged over time from being subparts of others to the point they leave the section of a theoretical phenomenon and develop their conceptual frameworks and academic/practical place in society (Craig, Salvato, 2012).

1. In 2004 and Considering the tension between the three branches of the Violas Family and under the lights of the three-circles model describe the main factors that lead to the division on the Family?

As family firms are built and operate under different shapes, colors and sizes the systems theory, or three-circle model, suggests that all family firms have three main dimensions the owners, the Family and the business (Tagiuri and Davis, 1989). From this perspective, students are expected to analyze Violas family case considering the different circles and the family members respective roles across time.

An analysis of the Family should be done, and students must raise the particular situations displayed across the case and work based on the Exhibits presented. Students should raise awareness of the three decisive branches in the Family and their relative position in each circle, across the different businesses and situations, namely COTESI, Solverde, and the Galp Deal.

Manuel and Edgar were involved in the business in leadership positions but in Solverde and COTESI, respectively. Celeste and Otilia operate as Chief operations officers working with Manuel and Edgar, respectively. In this case, students must extract the inevitable different perspectives of Violas family as Manuel and Celeste, in Solverde, were covering the three dimensions under the systems theory, being form the Family, owners and involved in the business. In Solverde Otilia was an owner and from the Family but not in the business. At COTESI Edgar was Otilia's husband and was involved in the business's leadership, He was from the Family but not an owner.

Being in different relative positions as displayed in the case and stated across exhibits 8,9, and 10, students must extract each branch's possibility of overemphasizing on one sub-system, either the Family, the business, or ownership. Different perspectives could have been raised as family members' relative positions were different across various scenarios, placing their visions neither as right or wrong but inevitably different. This might have been the Galp business case where there were different perspectives in the Family, for example, regarding debt exposure. BPI's challenging role as it was a shareholder in Petrocer and the Bank that would be financing the deal should be stated raising Artur Santos Silva as a key person regarding family interactions across the different happenings.

As businesses mature, family and business overlap tend to generate more conflicts, such as justice conflict, work/family conflict, role conflict, identity conflict, or succession conflict. Students should be able to identify critical points of collision, namely, management practices and styles, opinions regarding the future of the BPI participation, and family firms debt exposure. As for results in several situations in Violas Family did not match family members' expectations, which was the case of the outcome on the Galp deal, a relation between family tension and goal achievement can be stated.

This several collision points could be analyzed under the lights of FIRO conceptual model, Fundamental Interpersonal Orientations. The model suggests that control, inclusion, and integration are three aspects of interpersonal dynamics within organizations constituting a development sequence through which group process occurs and viability is sustained (Danes, Zuiker, Kean, Arbuthnot 1999). Under this framework, students should understand the importance of all family members' relative position and conclude that the Family and Business dimension competed for attention, time, energy, and financial resources within the Family.

2. Looking from the point of perceived fairness, how would you assess the asset division process incurred, and how that influenced posterior family relations?

Economic theory suggests that individuals are maximizers of utility and when the systematic study of fair process emerged in the 70's brief conclusion were that people cared as much about the process incurred through which an outcome is produced as much as the outcome itself (W. Chan Kim & Renee Mauborgne, 2005). In other terms, there are two dimensions of perceived fairness, either distributive fairness referring to the perception of outcomes or resource allocation. In contrast, procedural justice refers to the perceived fairness of the rules and decision processes used to determine outcomes working from this perspective fair process related to how resources are distributed and responses to these distributions (Brockner, Chen, Mannix, Leung, Skarlicki, 2000).

As far as process scrutiny, students must enumerate the tree main principles, also known as "the 3E's", regarding fair process and their relation to the Violas Family case 1) Engagement, 2) Explanation, and 3) Expectation clarity. After raising the will to separate and share it with the family members in a peaceful way, the engagement (1º "E") part was done. Therefore, the next phase was explanation (2º "E"), assessing how the division would be done and the decision criteria in place, which in the present case was asset valuation, regarding expectation clarity (3º "E") the Family decided they would divide the assets in three equally valuable parts and attribute each branch a respective stake.

Students should identify the different aspects of family fairness to consider, namely positions in the business, distribution of shares, dividends vs reinvestments, and shares valuation. Analyzing family systems under the light of the three circles models, we understand the difficulty to reach an agreement on an entirely fair distributional outcome as perspectives of fairness might fall under 1) equality - meaning everything the same for everyone, 2) merit - working from the perspective of someone's relative performance in the firm, or 3) need of individuals and their respective relative position in the family system.

Violas Family focused their asset division in a straightforward process, raising the will to proceed with separate paths and openly discussing it inside the Family to the point where three branches were created. Celeste and Manuel would stay together Otília and Edgar would follow their path separately. Otilia branch made their valuation as far as Celeste and Manuel, they hired outside valuations, a benchmark for valuations using discounted cash flows and multiples was set, making sure procedural justice was present. Otilia branch proposed to Manuel and Celest to choose the stake they wanted less, showing with this behavior the belief that a fair division was being undertaken from the perspective of the outcomes. When it comes to perceived fairness Violas Family used a transparent and straightforward process, making sure everything was done in a professional, respectable, and practical way to the point where the Family keeps healthy relations.

By Analyzing the process and outcome itself students should conclude that fair procedure was implemented, and the Family managed to stay with good relations. Until the time of writing of the case, November 2020, they spend important days and celebrations together. Students are expected to raise the question of the impact of fair process in family firms as it can improve the firm's performance and the commitment and satisfaction of those involved with the firm, whether owner, managers or family members (Heyden, Blondel, Carlok 2005.)

3. After reading "Banks and a Family Vision", what is your assessment regarding socioemotional wealth in Otilia Violas Ferreira branch?

Students are expected to recognize socioemotional wealth as a key differentiator factor between Family and nonfamily firms, raising the point that although a lot of attention has been given to this concept, there is not a precise definition. A close alignment can be stated that SEW stands for "affective endowments of family owners" to their firm (Gomez-Meija et al., 2012). Although some studies give light to a multidimensional construct, referred as FIBER model, working to capture the effective endowments by measuring "family identity, social ties, emotional attachment, and bonding through succession" (Brigham, Payne, 2019).

In 2007 after being faced with a proposal to sell their stake of 2.39% of Banco Privado de Investimento Violas Ferreira decided not to even though the proposal from Banco Central Português (BCP) was, in financial terms, a fair and reasonable offer, fact also recognized by the Violas Ferreira Family and stated in Exhibit 7. Without knowing the result of the bid from BCP to BPI, Violas Family had the possibility to sell and, even with an upgraded candy proposal, decided not to.

Students should address the fact that their Patriarch, Manuel de Oliveira Violas, was a BPI founding member. From this perspective, the emotional attachment and social prestige that came from holding the participating played a substantial role in any decision regarding selling or not sealing. Working from the FIBER model and capturing the affective endowments of Violas Ferreira Family to BPI some drivers should be stated. 1) the bonding through succession - can be seen as Otilia was a direct descendant from Manuel, 2) social ties – as the Family was a founding member of a vital institution of the country and that represented substantial relations to other influential families. Family identity and emotional attachment can also be recognized. Students should also refer, based on the family business concept, and its relation to SEW, the family level of attachment to the organization. The Family had just gone throw a separation process and it did not seem suitable to seal such an asset based on their vision for the Portuguese banking system.

In 2016 CaixaBank S.A presented a voluntary takeover offer to BPI placing Violas Family stake at around 40 million euros a completely devastating valuation of the family asset. The fact was Caixa Bank eventually acquired total ownership of BPI and Violas Family saw their position and other shareholders' vision vanish.

Students can conclude affirming that SEW it's not by its means a bad or good thing in family firms but rather an important and singular feature of family firms distinguishing them from traditional organizations to the point where financial value is put in second place (Swab, Sherlock, Markin, Dibrell 2020). For Violas Ferreira branch holding a stake at BPI was much more than a financial asset but rather a living proof of their Patriarch philosophy and its belief of private investors' importance in the Portuguese Banking System. Deciding on their BPI participation was not based on financial performance but rather an analysis of continuity and perpetuity of their family legacy and social reputation.

4. How would you describe governance practices and management principles in HVF – SGPS S.A.?

Governance is key in any business, however more complex in family firms. Governance stands as a combination of structures, activities, and objectives. In a family office, the business, the owners, and the Family can benefit from sound governance practices. The focus is to create a suitable identity, followed by a motivated direction and sustained by the discipline and politics to achieve the organization's ends. In other terms, the goal is to align interests and expectations most efficiently and effectively possible (Davis. J, 2001).

Students are expected to identify key sub-systems in Governance practices of Violas Ferreira Family. Firstly, state the lake of family governance practices inside the Violas Ferreira family as there are no formal rules or principles regarding family governance and succession planning. On the opposite side, when it comes to business governance, the Family presents a clear structure. HVF – SGPS acts as the holding of every asset and presents itself as a family office, a Holding and a Family Office hybrid. Tiago Violas is the CEO of the HVF and his Wife, Andrea, is the Chief Operations Officer. Otilia and Edgar formally are part of the Board of Directors, being Otilia the chairwoman.

When it comes to financial decisions the Family owns Violas Ferreira Financial S.A., based in Luxembourg, where every decision is made by Tiago and Edgar or Otilia and an Executive Board member based in Luxembourg. Regarding Real Estate operational management all the assets are grouped under Violas Ferreira SICAFI SA, Especial, S.A., an HVF – SGPS subsidiary. If needed, the group creates independent companies for substantial projects or joint-ventures. Students should be able to note that Violas Ferreira Family, operationally speaking works mainly through Violas Ferreira SICAFI. The board of SICAFI is composed of Tiago, his wife Andrea, his parents Edgar and Otilia and Filipe Avillez, a nonfamily member with non-executive functions.

Every month they have a Board meeting in the presence of an outside board member as a principle to optimize their performance as a family firm. In their perspective is a way to professionalize their family office and to make sure the Family properly runs the Family run business. The fact is family firms can only perform better than nonfamily firms, achieving greater economic value-added, greater return on assets and creating more market value with the presence of an outside family board member (RonaldC. Anderson 2003).

Teaching Plan

The teaching of this case should be done across two 90 minutes sessions. Before the first session, students should read the entire case as well as the theoretical background part. The first sessions should start with a summary of part A and part B identifying key events and actors in each part. The instructor should then present the questions to the class and allow the students to voluntary express their insights generating discussion among them. At the end of the session students should be grouped in teams of 4 and the recommended readings for each part would be given to them to elaborate on their answers, Class instructor would also recommend to the class for some research and background check on Violas Family. The second session would start with each group presenting their answer for the respective question to the class followed by a clarification form the instructor, the following methodology should be used for all the questions.

Recommended Readings & Resources

- **Question 1:** Cambridge Family Enterprise Press, 2018 - How Three Circles Changed the Way We Understand Family Business + Danes, Sharon M., Virginia Zuiker, Rita Kean, and Jeanette Arbuthnot, 1999 - "Predictors of Family Business Tensions and Goal Achievement."
- **Question 2:** Kim, W.Chan, and Renee Mauborgne, July 16, 2015 - "Fair Process: Managing in the Knowledge Economy."
- **Question 3**: Brigham, Keith H., and G. Tyge Payne, 2019 "Socioemotional Wealth (SEW): Questions on Construct Validity."

References

Anderson, Ronald C., and David M. Reeb. "Founding-Family Ownership and Firm Performance: Evidence from the S&P 500." *The Journal of Finance* 58, no. 3 (2003): 1301–28.

Brigham, Keith H., and G. Tyge Payne. "Socioemotional Wealth (SEW): Questions on Construct Validity." *Family Business Review* 32, no. 4 (2019): 326–29.

Brockner, Joel, Ya-Ru Chen, Elizabeth A. Mannix, Kwok Leung, and Daniel P. Skarlicki. "Culture and Procedural Fairness: When the Effects of What You Do Depend on How You Do It." *Administrative Science Quarterly* 45, no. 1 (2000): 138.

"CaixaBank Passa a Deter a Totalidade Do Capital Do BPI." *Observador*, December 28, 2018. https://observador.pt/2018/12/28/caixabank-passa-a-deter-a-totalidade-do-capital-do-bpi/.

Berrone, P., Cruz, C., & Gomez-Mejia, L. R. (2012). Socioemotional Wealth in Family Firms. *Family Business Review, 25*(3), 258-279.

Craig, J. B., & Salvato, C. (2011). The Distinctiveness, Design, and Direction of Family Business Research. *Family Business Review, 25*(1), 109-116.

Danes, Sharon M., Martha A. Rueter, Hee-Kyung Kwon, and William Doherty. "Family FIRO Model: An Application to Family Business." *Family Business Review* 15, no. 1 (2002): 31–43..

Danes, Sharon M., Virginia Zuiker, Rita Kean, and Jeanette Arbuthnot. "Predictors of Family Business Tensions and Goal Achievement." *Family Business Review* 12, no. 3 (1999): 241–52. https://doi.org/10.1111/j.1741-6248.1999.00241.x.

Davis, John A., and Renato Tagiuri. "The Influence of Life Stage on Father-Son Work Relationships in Family Companies." *Family Business Review* 2, no. 1 (1989): 47–74.

Davis, Jonh A. "Three-Circle Model of the Family Business System: Davis and Tagiuri." John A. Davis, August 20, 2020. https://johndavis.com/three-circle-model-family-business-system/.

Fernandes, Filipe S. "AICEP Agência Para o Investimento e Comércio Externo De Portugal." Início. Accessed December 13, 2020. http://www.portugalglobal.pt/PT/PortugalNews/Paginas/NewDetail.aspx?newId=%7B97F5D992-2621-45F0-A63A-FF26968622C3%7D.

Francisco, Mendia. "BPI VAI DETER PARTICIPAÇÃO INDIRECTA DE 12,7% NO CAPITAL DA GALP." *TVI 24*, July 21, 2004. https://tvi24.iol.pt/geral/21-07-2004/bpi-vai-deter-participacao-indirecta-de-12-7-no-capital-da-galp.

Governing the Family-Run Business. (2001, September 04). Retrieved 2020, from https://hbswk.hbs.edu/item/governing-the-family-run-business

Heyden, Ludo Van Der, Christine Blondel, and Randel S. Carlock. "Fair Process: Striving for Justice in Family Business." *Family Business Review* 18, no. 1 (2005): 1–21.

Kim, W.Chan, and Renee Mauborgne. "Fair Process: Managing in the Knowledge Economy." Harvard Business Review, July 16, 2015. https://hbr.org/2003/01/fair-process-managing-in-the-knowledge-economy.

McKinsey & Company. *Fine-tuning family businesses for a new era.* McKinsey & Company, 2016.

"O Que é o BPI?" Banco BPI. Accessed December 13, 2020. https://www.bancobpi.pt/err/grupo-bpi/o-que-e-o-grupo-bpi/o-que-e-o-bpi.

Payne, G. Tyge. "Reflections on Family Business Research: Considering Domains and Theory." *Family Business Review* 31, no. 2 (2018): 167–75.

Petrocer Notifica Compra De 40,79 Por Cento Da Galp Energia, October 24, 2006. publico.pt/2004/10/25/economia/noticia/petrocer-notifica-compra-de-4079-por-cento-da-galp-energia-1206696.

POP - Porto Office Park. Accessed December 13, 2020. http://www.portoofficepark.com/.

Poutziouris, Panikkos, Kosmas Smyrnios, Sabine Klein, and Uhlaner Lorraine. "Business Family as a Team: Underlying Force for Sustained Competitive Advantage ." Essay. In *Handbook of Research on Family Business*. Cheltenham, UK: Edward Elgar, 2006.

Rui, Neves. " HVF Investe 100 Milhões Em Projecto POP No Porto." *Negócios*, August 23, 2018. https://www.jornaldenegocios.pt/empresas/imobiliario/detalhe/hvf-investe-100-milhoes-em-projecto-pop-no-porto?ref=DestaquesTopo.

Suspiro, Ana. "Américo Amorim. O Homem Que Sonhava Ter Um Banco, Mas Descobriu Petróleo." *Observador*, July 13, 2017. https://observador.pt/especiais/o-homem-que-sonhava-ter-um-banco-mas-descobriu-petroleo/.

Swab, R. Gabrielle, Chelsea Sherlock, Erik Markin, and Clay Dibrell. "'SEW' What Do We Know and Where Do We Go? A Review of Socioemotional Wealth and a Way Forward." *Family Business Review* 33, no. 4 (2020): 424–45.

"Violas FerreiraHeadquarters ." Violas Ferreira. Accessed December 13, 2020. http://www.violasferreira.com/.